

ATLANTIC COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2008

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Atlantic Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2007 election)		
Phil Hascall	President	2008
Jody Lorence	Vice President	2009
Dennis Davis	Board Member	2007
Jon Martens	Board Member	2008
Glen Smith	Board Member	2009
Board of Education		
(After September 2007 election)		
Phil Hascall	President	2008
Jody Lorence	Vice President	2009
Dennis Davis	Board Member	2010
Jon Martens	Board Member	2008
Glen Smith	Board Member	2009
	(Resigned)	
Kristy Pellett	Board Member	2009
	(Elected to fill vacancy)	
School Officials		
Dr. Wendy Prigge	Superintendent	2008
Lori Robertson	District Secretary and Business Manager	2008
Melinda McDermott	District Treasurer	2008
Dave Chase	Attorney	2008
Brian Gruhn	Attorney	2008

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(a professional corporation)
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Atlantic Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Atlantic Community School District, Atlantic, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Atlantic Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2009 on our consideration of the Atlantic Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required

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parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Atlantic Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for four years ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 16, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Atlantic Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased to \$12,963,142 in fiscal year 2008 from \$12,309,447 in fiscal year 2007, while General Fund expenditures increased from \$12,544,932 in fiscal 2007 to \$13,824,580 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from \$2,705,579 in fiscal 2007 to \$1,844,141 in fiscal 2008, a 31.84% decrease from prior year.
- The increase in General fund revenues was attributed to an increase in state funding and local taxes. The increase in expenditures was attributed to more expenses in the instruction and support service areas. This was due to an increase in negotiated salaries and benefits, the addition of staff and increased fuel costs.
- The District's total net assets of governmental activities increased \$389,722. This is primarily due to the increase in net capital assets during the year and the increase in state funding as compared to the previous year.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) stayed the same as the previous year at approximately 6.07%. The State School Budget Review Committee recommends a solvency ratio of 5% - 10%.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Atlantic Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Atlantic Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Atlantic Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Atlantic Community School District Annual Financial Report

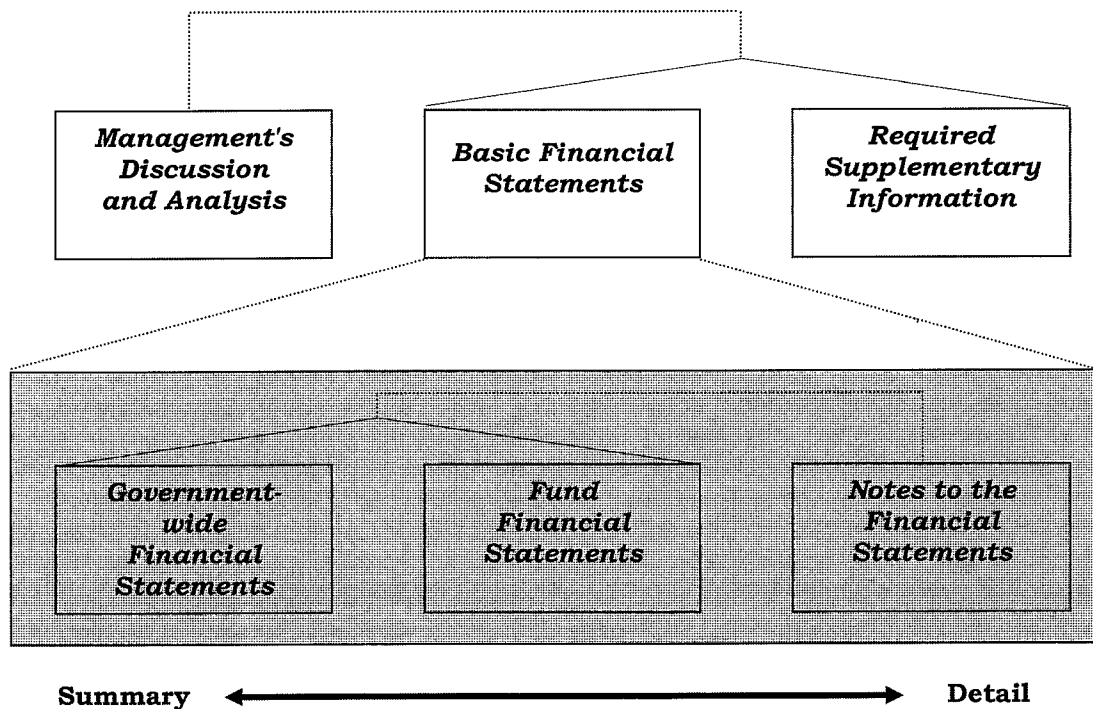


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund
- Agency Fund – These are funds for which the District administers and accounts for parent prom, SWIA honor band, Ag Ed Advisory and Medicaid.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 12,271,274	11,457,624	273,592	212,895	12,544,866	11,670,519	7.49%
Capital assets	11,123,827	11,598,492	58,910	68,372	11,182,737	11,666,864	-4.15%
Total assets	23,395,101	23,056,116	332,502	281,267	23,727,603	23,337,383	1.67%
Long-term obligations	3,010,629	3,616,517	0	0	3,010,629	3,616,517	-16.75%
Other liabilities	5,975,279	5,420,128	7,063	5,683	5,982,342	5,425,811	10.26%
Total liabilities	8,985,908	9,036,645	7,063	5,683	8,992,971	9,042,328	-0.55%
Net assets:							
Invested in capital assets, net of related debt	8,178,827	8,058,492	58,910	68,372	8,237,737	8,126,864	1.36%
Restricted	3,809,020	2,833,112	0	0	3,809,020	2,833,112	34.45%
Unrestricted	2,421,346	3,127,867	266,529	207,212	2,687,875	3,335,079	-19.41%
Total net assets	\$ 14,409,193	14,019,471	325,439	275,584	14,734,632	14,295,055	3.08%

The District's combined net assets increased by 3.08%, or \$439,577, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$975,908, or 34.45% over the prior year. The increase was primarily a result of the District increase in Capital Projects fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$647,204, or 19.41%. This decrease in unrestricted net assets is primarily a result of using carryover balance in the General Fund to meet District obligations.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business type Activities		Total District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 1,395,863	1,316,926	390,730	383,078	1,786,593	1,700,004	5.09%
Operating grants and contributions and restricted interest	1,895,010	1,459,538	324,111	314,693	2,219,121	1,774,231	25.08%
Capital grants and contributions and restricted interest	62,000	0	0	0	62,000	0	100.00%
General revenues:							
Property tax	4,538,133	4,288,293	0	0	4,538,133	4,288,293	5.83%
Income surtax	578,975	576,306	0	0	578,975	576,306	0.46%
Local option sales and services tax	858,997	855,210	0	0	858,997	855,210	0.44%
Unrestricted state grants	6,071,988	5,950,335	0	0	6,071,988	5,950,335	2.04%
Other	314,539	342,228	7,904	5,661	322,443	347,889	-7.31%
Transfers	(5,556)	0	5,556	22,013	0	22,013	-100.00%
Total revenues and transfers	15,709,949	14,788,836	728,301	725,445	16,438,250	15,514,281	5.96%
Program expenses:							
Governmental activities:							
Instruction	9,931,133	8,872,959	0	0	9,931,133	8,872,959	11.93%
Support services	4,242,155	3,900,055	7,820	4,873	4,249,975	3,904,928	8.84%
Non-instructional programs	6,812	10,133	670,626	637,217	677,438	647,350	4.65%
Other expenditures	1,140,127	1,141,860	0	0	1,140,127	1,141,860	-0.15%
Total expenses	15,320,227	13,925,007	678,446	642,090	15,998,673	14,567,097	9.83%
Changes in net assets	389,722	863,829	49,855	83,355	439,577	947,184	-53.59%
Beginning net assets	14,019,471	13,155,642	275,584	192,229	14,295,055	13,347,871	7.10%
Ending net assets	\$ 14,409,193	14,019,471	325,439	275,584	14,734,632	14,295,055	3.08%

In fiscal 2008, local tax (property tax, income surtax and local option sales and service tax) and unrestricted state grants accounted for 76.69% of the revenue from governmental activities while charges for services and operating grants and contributions account for approximately 98.15% of the revenue from business type activities.

The District's total revenues were approximately \$16.44 million of which \$15.71 million was for governmental activities and \$.73 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 5.96% in revenues and a 9.83% increase in expenses. The increase in expenses was related to the increase in negotiated salaries and benefits during the year.

Governmental Activities

Revenues for governmental activities were \$15,709,949 and expenses were \$15,320,227.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 9,931,133	8,872,959	11.93%	7,131,289	6,586,273	8.28%
Support services	4,242,155	3,900,055	8.77%	4,227,767	3,866,946	9.33%
Non-instructional programs	6,812	10,133	-32.77%	6,812	10,133	-32.77%
Other expenses	1,140,127	1,141,860	-0.15%	601,486	685,191	-12.22%
Totals	<u>\$ 15,320,227</u>	<u>13,925,007</u>	<u>10.02%</u>	<u>11,967,354</u>	<u>11,148,543</u>	<u>7.34%</u>

- The cost financed by users of the District's programs was \$1,395,863.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,957,010.
- The net cost of governmental activities was financed with \$4,538,133 in property tax, \$578,975 in income surtax, \$858,997 in local option sales and service tax, \$6,071,988 in unrestricted state grants, \$254,743 in interest income and \$54,240 in other general revenues and transfers.

Business type Activities

Revenues of the District's business type activities were \$728,301 and expenses were \$678,446. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Atlantic Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$5,595,684, above last year's ending fund balances of \$5,341,276. However, the primary reason for the increase in combined fund balances in fiscal 2008 is due to increased local option sales and services tax revenues in the Capital Projects Fund and income surtax revenues in the General Fund.

Governmental Fund Highlights

- The District's decrease in General Fund financial position from \$2,705,579 in fiscal 2007 to \$1,844,141 in fiscal 2008 is a product of many factors. Revenues increased due to the increase in state grants and local tax. The District's increase in General Fund expenditures was primarily due the increase in negotiated salaries and benefits, additional staff and increased energy costs.

- The Capital Projects Fund balance increased from \$1,931,206 in fiscal 2007 to \$2,829,200 in fiscal 2008 due to the increase in local option sales and services tax received to be used for capital improvements.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$275,584 at June 30, 2007 to \$325,439 at June 30, 2008, representing an increase of 18.09%. Fund revenues being greater than fund expenditures enabled the fund to increase overall.

BUDGETARY HIGHLIGHTS

The District's revenues were \$929,557 more than budgeted revenues, a variance of 5.99%. The most significant variance resulted from the District receiving more in state and local sources than originally anticipated, more specifically local option sales and service tax.

Initially, total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$11.18 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 4.15% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$589,520.

The original cost of the District's capital assets was \$19.34 million. Governmental funds account for \$19.11 million with the remainder of \$0.23 million in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$38,965 at June 30, 2008. This significant increase resulted from construction started but not completed during the fiscal year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total District		Total
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 928,419	928,419	0	0	928,419	928,419	0.00%
Construction in progress	38,965	76,883	0	0	38,965	76,883	-49.32%
Buildings	9,198,101	9,491,884	0	0	9,198,101	9,491,884	-3.10%
Land improvements	631,034	697,793	0	0	631,034	697,793	-9.57%
Machinery and equipment	327,308	403,513	58,910	68,372	386,218	471,885	-18.15%
Total	\$ 11,123,827	11,598,492	58,910	68,372	11,182,737	11,666,864	-4.15%

Long-Term Debt

At June 30, 2008, the District had \$3,010,629 in early retirement benefits, compensated absences and general obligation long-term debt outstanding. This represents a decrease of 16.75% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonds of \$2,945,000 at June 30, 2008.

The District had total outstanding early retirement payable from the Special Revenue, Management Levy of \$44,874 at June 30, 2008.

The District had total outstanding compensated absences payable of \$20,755 at June 30, 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 2,945,000	3,540,000	-16.81%
Early retirement	44,874	76,517	-41.35%
Compensated absences	20,755	0	100.00%
Totals	<u>\$ 3,010,629</u>	<u>3,616,517</u>	<u>-16.75%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future:

- The District will negotiate a new agreement with the Atlantic Education Association (AEA) and the Atlantic School District Employees' Association. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- The District has experienced declining enrollment for a few years and expects the trend to continue.
- On July 1, 2007 IPERS implemented an employers' contribution increase over a 4-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2007, and will increase to 6.35% on July 1, 2008, to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010. This will increase the Atlantic Community Schools employer benefit costs over the next four years.
- The District continues to have high health insurance claims which in turn raise the cost of premiums that need to be paid. The rise in costs of premiums will have an adverse effect on General Fund.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lori Robertson, Business Manager/Board Secretary, Atlantic Community School District, 1100 Linn Street, Atlantic, Iowa, 50022.

BASIC FINANCIAL STATEMENTS

ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 5,887,806	263,836	6,151,642
Receivables:			
Property tax:			
Delinquent	75,548	0	75,548
Succeeding year	4,577,642	0	4,577,642
Income surtax	722,073	0	722,073
Accounts	5,854	26	5,880
Due from other governments	1,002,351	0	1,002,351
Inventories	0	9,730	9,730
Capital assets, net of accumulated depreciation (Note 4)	11,123,827	58,910	11,182,737
Total Assets	23,395,101	332,502	23,727,603
Liabilities			
Accounts payable	166,074	2	166,076
Salaries and benefits payable	1,202,396	0	1,202,396
Accrued interest payable	21,762	0	21,762
Deferred revenue:			
Succeeding year property tax	4,577,642	0	4,577,642
Other	7,405	0	7,405
Unearned revenue	0	7,061	7,061
Long-term liabilities (Note 5):			
Portion due within one year:			
Bonds payable	615,000	0	615,000
Early retirement	44,874	0	44,874
Compensated absences	20,755	0	20,755
Portion due after one year:			
Bonds payable	2,330,000	0	2,330,000
Total Liabilities	8,985,908	7,063	8,992,971
Net Assets			
Invested in capital assets, net of related debt	8,178,827	58,910	8,237,737
Restricted for:			
Talented and gifted	24,489	0	24,489
At risk	45,150	0	45,150
Beginning teacher mentoring	3,271	0	3,271
Salary improvement program	744	0	744
Professional development	12,760	0	12,760
Market factor incentives	5,870	0	5,870
Early childhood programs	6,805	0	6,805
Early intervention	3,262	0	3,262
Capital projects	2,829,200	0	2,829,200
Debt service	160,241	0	160,241
Physical plant and equipment levy	485,652	0	485,652
Management levy	136,014	0	136,014
Other special revenue purposes	95,562	0	95,562
Unrestricted	2,421,346	266,529	2,687,875
Total Net Assets	\$ 14,409,193	325,439	14,734,632

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Contributions and Restricted Interest	Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular instruction	\$ 5,855,309	655,404	1,256,110	0	(3,943,795)	0	(3,943,795)
Special instruction	2,469,704	441,558	78,600	0	(1,949,546)	0	(1,949,546)
Other instruction	1,606,120	284,513	83,659	0	(1,237,948)	0	(1,237,948)
	9,931,133	1,381,475	1,418,369	0	(7,131,289)	0	(7,131,289)
Support services:							
Student services	380,348	0	0	0	(380,348)	0	(380,348)
Instructional staff services	706,069	0	0	0	(706,069)	0	(706,069)
Administration services	1,327,940	0	0	0	(1,327,940)	0	(1,327,940)
Operation and maintenance of plant services	1,208,927	0	0	0	(1,208,927)	0	(1,208,927)
Transportation services	618,871	14,388	0	0	(604,483)	0	(604,483)
	4,242,155	14,388	0	0	(4,227,767)	0	(4,227,767)
Non-instructional programs:							
Food service operations	6,812	0	0	0	(6,812)		(6,812)
Other expenditures:							
Facilities acquisitions	75,036	0	0	62,000	(13,036)	0	(13,036)
Long-term debt interest	151,025	0	0	0	(151,025)	0	(151,025)
AEA flowthrough	476,641	0	476,641	0	0	0	0
Depreciation(unallocated)*	437,425	0	0	0	(437,425)	0	(437,425)
	1,140,127	0	476,641	62,000	(601,486)	0	(601,486)
Total governmental activities	15,320,227	1,395,863	1,895,010	62,000	(11,967,354)	0	(11,967,354)
Business-Type activities:							
Support services:							
Operation and maintenance of plant services	1,600	0	0	0	0	(1,600)	(1,600)
Transportation services	6,220	0	0	0	0	(6,220)	(6,220)
	7,820	0	0	0	0	(7,820)	(7,820)
Non-instructional programs:							
Food service operations	670,626	390,730	324,111	0	0	44,215	44,215
Total business-type activities	678,446	390,730	324,111	0	0	36,395	36,395
Total	\$ 15,998,673	1,786,593	2,219,121	62,000	(11,967,354)	36,395	(11,930,959)
General Revenues and Transfers:							
General Revenues:							
Property tax levied for:					\$ 3,497,243	0	3,497,243
General purposes					674,756	0	674,756
Debt service					366,134	0	366,134
Capital outlay					578,975	0	578,975
Income surtax					858,997	0	858,997
Local option sales and services tax					6,071,988	0	6,071,988
Unrestricted state grants					254,743	7,904	262,647
Unrestricted investment earnings					1,708	0	1,708
Gain on sale of assets					58,088	0	58,088
Other general revenues					(5,556)	5,556	0
Transfers							
Total general revenues and transfers					12,357,076	13,460	12,370,536
Changes in net assets					389,722	49,855	439,577
Net assets beginning of year					14,019,471	275,584	14,295,055
Net assets end of year					\$ 14,409,193	325,439	14,734,632

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 2,286,622	2,678,734	922,450	5,887,806
Receivables:				
Property tax:				
Delinquent	56,860	0	18,688	75,548
Succeeding year	3,542,520	0	1,035,122	4,577,642
Income surtax	529,520	0	192,553	722,073
Accounts	4,541	0	1,313	5,854
Due from other governments	850,785	150,466	1,100	1,002,351
Total Assets	\$ 7,270,848	2,829,200	2,171,226	12,271,274
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 144,866	0	21,208	166,074
Salaries and benefits payable	1,202,396	0	0	1,202,396
Deferred revenue:				
Succeeding year property tax	3,542,520	0	1,035,122	4,577,642
Income surtax	529,520	0	192,553	722,073
Other	7,405	0	0	7,405
Total liabilities	5,426,707	0	1,248,883	6,675,590
Fund balances:				
Reserved for:				
Debt service	0	0	160,241	160,241
Talented and gifted	24,489	0	0	24,489
At-risk	45,150	0	0	45,150
Beginning teacher mentoring	3,271	0	0	3,271
Salary improvement program	744	0	0	744
Professional development	12,760	0	0	12,760
Market factor incentives	5,870	0	0	5,870
Early childhood programs	6,805	0	0	6,805
Early intervention	3,262	0	0	3,262
Unreserved:				
Designated:				
Special purposes by the board	104,908	0	0	104,908
Cash flow	850,000	0	0	850,000
Undesignated:				
General	786,882	0	0	786,882
Capital projects	0	2,829,200	0	2,829,200
Management levy	0	0	180,888	180,888
Physical plant and equipment levy	0	0	485,652	485,652
Other special revenue purposes	0	0	95,562	95,562
Total fund balances	1,844,141	2,829,200	922,343	5,595,684
Total Liabilities and Fund Balances	\$ 7,270,848	2,829,200	2,171,226	12,271,274

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances of governmental funds (page 15) \$ 5,595,684

*Amounts reported for governmental activities in the
statement of net assets are different because:*

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported as
assets in the governmental funds. 11,123,827

Accounts receivable income surtax, are not yet available
to finance expenditures of the current fiscal period. 722,073

Accrued interest payable on long-term liabilities is
not due and payable in the current period and, therefore,
is not reported as a liability in the governmental funds. (21,762)

Long-term liabilities, including bonds payable, early
retirement and compensated absences, are not due and
payable in the current period and, therefore, are not
reported as liabilities in the governmental funds. (3,010,629)

Net assets of governmental activities (page 13) \$ 14,409,193

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 3,826,450	858,997	1,290,658	5,976,105
Tuition	1,034,146	0	0	1,034,146
Other	312,217	113,997	487,915	914,129
State sources	7,347,375	0	796	7,348,171
Federal sources	441,246	0	0	441,246
Total revenues	12,961,434	972,994	1,779,369	15,713,797
EXPENDITURES:				
Current:				
Instruction				
Regular instruction	5,777,104	0	116,393	5,893,497
Special instruction	2,469,704	0	0	2,469,704
Other instruction	1,213,825	0	383,794	1,597,619
	9,460,633	0	500,187	9,960,820
Support services:				
Student services	380,348	0	0	380,348
Instructional staff services	630,817	0	75,252	706,069
Administration services	1,266,193	0	50,576	1,316,769
Operation and maintenance of plant services	1,129,876	0	87,622	1,217,498
Transportation services	480,072	0	51,591	531,663
	3,887,306	0	265,041	4,152,347
Non-instructional programs	0	0	12,398	12,398
Other expenditures:				
Facilities acquisitions	0	0	108,805	108,805
Long-term debt:				
Principal	0	0	595,000	595,000
Interest and fiscal charges	0	0	155,116	155,116
AEA flowthrough	476,641	0	0	476,641
	476,641	0	858,921	1,335,562
Total expenditures	13,824,580	0	1,636,547	15,461,127
Excess(deficiency) of revenues over(under) expenditures	(863,146)	972,994	142,822	252,670
OTHER FINANCING SOURCES(USES):				
Sale of equipment	1,708	0	0	1,708
Transfers in	0	0	75,030	75,030
Transfers out	0	(75,000)	0	(75,000)
Total other financing sources(uses)	1,708	(75,000)	75,030	1,738
Net change in fund balances	(861,438)	897,994	217,852	254,408
Fund balances beginning of year	2,705,579	1,931,206	704,491	5,341,276
Fund balances end of year	\$ 1,844,141	2,829,200	922,343	5,595,684

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2008

Net change in fund balances - total governmental funds(page 17) \$ 254,408

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:

Capital outlays	\$ 97,180	
Depreciation expense	<u>(571,845)</u>	(474,665)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 595,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 4,091

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	\$ 31,643	
Compensated absences	<u>(20,755)</u>	<u>10,888</u>

Changes in net assets of governmental activities(page 14) \$ 389,722

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	School Nutrition
Assets	
Cash and cash equivalents:	\$ 263,836
Accounts receivable	26
Inventories	9,730
Capital assets, net of accumulated depreciation (Note 4)	58,910
Total Assets	<u>332,502</u>
Liabilities	
Accounts payable	2
Unearned revenues	7,061
Total Liabilities	<u>7,063</u>
Net Asset	
Invested in capital assets	58,910
Unrestricted	266,529
Total Net Asset	<u>\$ 325,439</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 390,730
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant services:	
Services	1,288
Supplies	312
Transportation services:	
Salaries	5,300
Benefits	726
Supplies	194
	<u>7,820</u>
Non-instructional programs:	
Food service operations:	
Salaries	249,673
Benefits	34,034
Services	3,747
Supplies	365,497
Depreciation	17,675
	<u>670,626</u>
TOTAL OPERATING EXPENSES	<u>678,446</u>
OPERATING LOSS	<u>(287,716)</u>
NON-OPERATING REVENUES:	
State sources	8,053
Federal sources	316,058
Interest income	7,904
TOTAL NON-OPERATING REVENUES	<u>332,015</u>
Change in net assets before other financing sources(uses)	44,299
Other financing sources(uses):	
Capital contributions	5,586
Transfer out	(30)
Total other financing sources(uses)	<u>5,556</u>
Change in net assets	49,855
Net assets beginning of year	<u>275,584</u>
Net assets end of year	<u>\$ 325,439</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 388,940
Cash received from miscellaneous sources	3,368
Cash paid to employees for services	(289,733)
Cash paid to suppliers for goods or services	(337,190)
Net cash used in operating activities	<u>(234,615)</u>
Cash flows from non-capital financing activities:	
Transfer to Activity Fund	(30)
State grants received	8,053
Federal grants received	282,163
Net cash provided by non-capital financing activities	<u>290,186</u>
Cash flows from investing activities:	
Interest on investments	<u>7,904</u>
Cash flows from capital financing activities:	
Purchase of assets	<u>(2,627)</u>
Net increase in cash and cash equivalents	60,848
Cash and cash equivalents at beginning of year	<u>202,988</u>
Cash and cash equivalents at end of year	<u>\$ 263,836</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (287,716)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	33,895
Depreciation	17,675
Decrease in inventories	11
Decrease in accounts receivable	140
Decrease in accounts payable	(58)
Increase in unearned revenue	1,438
Net cash used in operating activities	<u>\$ (234,615)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 263,836</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$33,895.

During the year ended June 30, 2008, the District received contributed capital of \$5,586 from the Special Revenue - Physical Plant and Equipment Levy Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	<u>Private Purpose Trust Scholarship</u>	<u>Agency</u>
Assets		
Cash and pooled investments	<u>\$ 133,488</u>	<u>2,973</u>
Liabilities		
Due to other groups	<u>0</u>	<u>2,973</u>
Net Assets		
Reserved for scholarships	<u>\$ 133,488</u>	<u>0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2008

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	<u>\$ 5,376</u>
Deductions:	<u>0</u>
Change in net assets	5,376
Net assets beginning of year	<u>128,112</u>
Net assets end of year	<u>\$ 133,488</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

(1) Summary of Significant Accounting Policies

The Atlantic Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Atlantic, Iowa, and the predominate agricultural territory in Cass, Audubon and Pottawattamie Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Atlantic Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Atlantic Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Cass County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, and claims and judgments, are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB

pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for extra duties and curriculum work for the current school year, which is paid in July and August have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, District expenditures in the instruction functional area exceeded the amount budgeted.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Iowa Schools Joint Investment Trust	<u>\$ 40,617</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Services.

(3) Transfers

The detail of interfund transfers for year end June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 75,000
Special Revenue: Student Activity	Enterprise Fund: Nutrition	30
Total		<u>\$ 75,030</u>

The Capital Projects transferred \$75,000 to Debt Service for debt relief. The Nutrition Fund transferred \$30 to the Student Activity Fund to correct an insufficient funds check that was recorded to the wrong fund.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 928,419	0	0	928,419
Construction in progress	76,883	38,965	76,883	38,965
Total capital assets not being depreciated	1,005,302	38,965	76,883	967,384
Capital assets being depreciated:				
Buildings	14,648,562	76,883	46,069	14,679,376
Land improvements	1,385,169	0	0	1,385,169
Machinery and equipment	2,051,971	58,215	29,000	2,081,186
Total capital assets being depreciated	18,085,702	135,098	75,069	18,145,731
Less accumulated depreciation for:				
Buildings	5,156,678	370,666	46,069	5,481,275
Land improvements	687,376	66,759	0	754,135
Machinery and equipment	1,648,458	134,420	29,000	1,753,878
Total accumulated depreciation	7,492,512	571,845	75,069	7,989,288
Total capital assets being depreciated, net	10,593,190	(436,747)	0	10,156,443
Governmental activities capital assets, net	\$ 11,598,492	(397,782)	76,883	11,123,827

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 223,309	8,213	0	231,522
Less accumulated depreciation	154,937	17,675	0	172,612
Business type activities capital assets, net	\$ 68,372	(9,462)	0	58,910

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 7,810
Other	12,211
Support services:	
Operation and maintenance of plant	7,634
Transportation	106,765
	134,420
Unallocated depreciation	437,425
Total governmental activities depreciation expense	\$ 571,845
Business type activities:	
Food services	\$ 17,675

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 3,540,000	0	595,000	2,945,000	615,000
Early retirement	76,517	44,874	76,517	44,874	44,874
Compensated Absences	0	20,755	0	20,755	20,755
Total	\$ 3,616,517	65,629	671,517	3,010,629	680,629

Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond Issue of June 1, 2001		
		Principal	Interest	Total
2009	4.250 %	\$ 615,000	130,572	745,572
2010	4.350	640,000	104,436	744,436
2011	4.450	660,000	76,596	736,596
2012	4.550	670,000	47,226	717,226
2013	4.650	360,000	16,740	376,740
Total		\$ 2,945,000	375,570	3,320,570

Early Retirement

The District offers a voluntary early retirement plan to all full-time certified District employees. An employee is deemed eligible if they have completed at least fifteen years of full-time contracted service and will have attained at least fifty-seven years of age on or before August 15, 2008. A written resignation and an application for participation must be submitted to the Board of Education by January 15, 2008 for qualification into the program.

Benefits to be paid to prospective early retirees is calculated by the lesser of \$15,000 or the difference between the employee's 2007-08 salary excluding payments not included in the salary schedule and the 2007-08 BA Step 7 rate of pay. Retirees may elect to continue their existing health insurance coverage with the District as long as monthly premiums are paid to the District's Central Office (before the District makes the premium payment) and are permitted to continue coverage by the District's insurer.

A liability has been recorded in the Government-wide financial statements representing the District's commitment to fund non-current early retirement. Early retirement incentives paid during the year ended June 30, 2008 totaled \$76,517.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$504,477, \$448,523 and \$446,147 respectively, equal to the required contributions for each year.

(7) Risk Management

Atlantic Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$476,641 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Construction Commitment

As of June 30, 2008, costs of \$38,965 had been incurred on various construction contracts for District improvements. When construction is completed, the final cost of the projects will be added to the capital asset.

(10) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2008, expenditures in the instructional function exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

ATLANTIC COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 7,924,380	398,634	8,323,014	7,689,311	7,689,311	633,703
Intermediate sources	0	0	0	9,000	9,000	(9,000)
State sources	7,348,171	8,053	7,356,224	7,112,674	7,112,674	243,550
Federal sources	441,246	316,058	757,304	696,000	696,000	61,304
Total revenues	15,713,797	722,745	16,436,542	15,506,985	15,506,985	929,557
Expenditures:						
Instruction	9,960,820	0	9,960,820	9,201,860	9,201,860	(758,960)
Support services	4,152,347	7,820	4,160,167	4,846,153	4,846,153	685,986
Non-instructional programs	12,398	670,626	683,024	1,050,500	1,050,500	367,476
Other expenditures	1,335,562	0	1,335,562	1,843,003	1,843,003	507,441
Total expenditures	15,461,127	678,446	16,139,573	16,941,516	16,941,516	801,943
Excess(deficiency) of revenues over(under) expenditures	252,670	44,299	296,969	(1,434,531)	(1,434,531)	1,731,500
Other financing sources, net	1,738	5,556	7,294	0	0	7,294
Excess(deficiency) of revenues and other financing sources over(under) expenditures	254,408	49,855	304,263	(1,434,531)	(1,434,531)	1,738,794
Balance beginning of year	5,341,276	275,584	5,616,860	4,565,152	4,565,152	1,051,708
Balance end of year	\$ 5,595,684	325,439	5,921,123	3,130,621	3,130,621	2,790,502

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, District expenditures in the instruction functional area exceeded the budgeted amount.

OTHER SUPPLEMENTARY INFORMATION

ATLANTIC COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds						Total
	Physical			Total			Other
	Manage-	Plant and	Student	Expend-	Special	Debt	Nonmajor
	ment	Equipment	Activity	able	Revenue	Service	Governmental
	Levy	Levy	Trust	Funds			Funds
Assets							
Cash and pooled investments	\$ 176,640	494,861	81,472	20,869	773,842	148,608	922,450
Receivables:							
Property tax:							
Current year delinquent	4,373	2,682	0	0	7,055	11,633	18,688
Succeeding year	175,000	189,250	0	0	364,250	670,872	1,035,122
Income surtax	0	192,553	0	0	192,553	0	192,553
Accounts	0	0	1,313	0	1,313	0	1,313
Due from other governments	0	0	1,100	0	1,100	0	1,100
Total Assets	\$ 356,013	879,346	83,885	20,869	1,340,113	831,113	2,171,226
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 125	11,891	9,192	0	21,208	0	21,208
Deferred revenue:							
Succeeding year property tax	175,000	189,250	0	0	364,250	670,872	1,035,122
Income surtax	0	192,553	0	0	192,553	0	192,553
Total liabilities	175,125	393,694	9,192	0	578,011	670,872	1,248,883
Fund balances:							
Reserved for:							
Debt service	0	0	0	0	0	160,241	160,241
Unreserved	180,888	485,652	74,693	20,869	762,102	0	762,102
Total fund balances	180,888	485,652	74,693	20,869	762,102	160,241	922,343
Total Liabilities and Fund Balances	\$ 356,013	879,346	83,885	20,869	1,340,113	831,113	2,171,226

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds					Total	
	Physical			Total		Other	
	Manage-	Plant and	Student	Expend-	Special	Debt	Nonmajor
	ment	Equipment	Activity	able	Revenue	Service	Governmental
	Levy	Levy		Trust	Funds		Funds
REVENUES:							
Local sources:							
Local tax	\$ 249,768	366,134	0	0	615,902	674,756	1,290,658
Other	24,380	80,489	371,779	865	477,513	10,402	487,915
State sources	184	115	0	0	299	497	796
TOTAL REVENUES	274,332	446,738	371,779	865	1,093,714	685,655	1,779,369
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	112,393	0	0	4,000	116,393	0	116,393
Other instruction	0	0	383,794	0	383,794	0	383,794
Support services:							
Instructional staff support	0	75,252	0	0	75,252	0	75,252
Administration services	45,708	4,868	0	0	50,576	0	50,576
Operation and maintenance of							
plant services	64,931	22,691	0	0	87,622	0	87,622
Student transportation	26,691	24,900	0	0	51,591	0	51,591
Non-instructional programs:							
Food service operations	12,398	0	0	0	12,398	0	12,398
Other expenditures:							
Facilities acquisition	0	108,805	0	0	108,805	0	108,805
Long-term debt:							
Principal	0	0	0	0	0	595,000	595,000
Interest and fiscal charges	0	0	0	0	0	155,116	155,116
TOTAL EXPENDITURES	262,121	236,516	383,794	4,000	886,431	750,116	1,636,547
Excess(Deficiency) of revenues							
over(under) expenditures	12,211	210,222	(12,015)	(3,135)	207,283	(64,461)	142,822
Other financing sources:							
Transfer in	0	0	30	0	30	75,000	75,030
Net change in fund balances	12,211	210,222	(11,985)	(3,135)	207,313	10,539	217,852
Fund balances beginning of year	168,677	275,430	86,678	24,004	554,789	149,702	704,491
Fund balances end of year	\$ 180,888	485,652	74,693	20,869	762,102	160,241	922,343

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund & Interfund Transfers	Balance End of Year
Drama	\$ 132	413	502	(43)	0
Debate	0	2,614	4,810	2,196	0
Vocal Music	8,747	8,523	14,076	4,050	7,244
Show Choir Costume	5,866	3,418	4,600	0	4,684
High School Band	886	107,459	109,485	1,140	0
High School Color Guard	0	2,812	632	0	2,180
Middle School Band	2,587	2,084	3,354	0	1,317
Musical	1,808	1,469	1,682	0	1,595
Cross Country	0	2,313	4,063	1,750	0
Boys Basketball	12,057	22,736	22,395	(3,616)	8,782
Football	15,927	27,408	18,852	(9,116)	15,367
Soccer	0	5,826	5,171	0	655
Baseball	(487)	7,960	10,796	3,323	0
Boys Track	(2,026)	9,310	14,129	6,845	0
Boys Tennis	(38)	1,657	2,236	617	0
Boys Golf	0	3,000	3,529	529	0
Wrestling	2,967	9,861	11,631	416	1,613
Girls Basketball	7,527	9,580	9,590	(1,517)	6,000
Volleyball	104	7,519	10,582	2,959	0
Soccer	59	2,787	4,962	2,116	0
Softball	(797)	10,683	14,390	4,504	0
Girls Track	476	7,247	9,891	2,168	0
Girls Tennis	464	2,059	2,468	(55)	0
Girls Golf	0	1,609	2,605	996	0
National Honor Society	540	592	140	0	992
Student Council	3,329	11,643	10,418	0	4,554
FFA	2,721	42,547	41,731	0	3,537
Middle School Student Council	0	587	200	0	387
Prime Time	3,964	2,672	1,873	(1,500)	3,263
MS Activities	232	691	1,012	89	0
Javelin	11,778	12,950	11,094	0	13,634
French Club	267	0	0	(267)	0
Spanish Club	111	0	0	(111)	0
Cheerleaders	0	3,808	13,402	0	(9,594)
Pride	1,025	2,892	3,732	0	185
Schuler Student Council	203	0	0	0	203
Jr Class Prom	3,649	7,648	7,500	0	3,797
General Activity	(83)	15,000	1,051	(13,866)	0
Student Connection	342	1,721	472	0	1,591
Operation Special Kids	270	0	0	0	270
Hosp BD Activity	1,590	2,860	2,440	0	2,010
Schuler Resource Activity	320	0	130	0	190
Insuff. Funds	0	1,897	1,927	30	0
Level II SPED	161	317	241	0	237
Interest	0	3,607	0	(3,607)	0
Total	\$ 86,678	371,779	383,794	30	74,693

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2008

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 4,092	8,772	9,841	2,973
Accounts receivable	7,992	0	7,992	0
	<u>\$ 12,084</u>	<u>8,772</u>	<u>17,833</u>	<u>2,973</u>
Liabilities				
Accounts payable	\$ 7,992	0	7,992	0
Due to other groups	4,092	8,772	9,841	2,973
	<u>\$ 12,084</u>	<u>8,772</u>	<u>17,833</u>	<u>2,973</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

Modified Accrual Basis					
Years Ended June 30,					
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 5,976,105	5,657,116	5,519,381	4,636,402	4,252,623
Tuition	1,034,146	1,013,833	905,598	804,293	742,794
Other	914,129	644,158	858,431	499,693	457,789
Intermediate sources	0	0	0	0	7,121
State sources	7,348,171	7,006,302	6,380,868	6,015,939	5,956,968
Federal sources	441,246	403,571	438,369	516,049	378,137
Total	<u>\$ 15,713,797</u>	<u>14,724,980</u>	<u>14,102,647</u>	<u>12,472,376</u>	<u>11,795,432</u>
Expenditures:					
Instruction:					
Regular instruction	\$ 5,893,497	5,717,955	5,410,666	5,000,500	4,936,636
Special instruction	2,469,704	2,160,567	1,921,407	1,502,442	1,615,769
Other instruction	1,597,619	896,025	831,840	1,123,659	703,959
Support services:					
Student services	380,348	375,303	387,154	306,622	340,420
Instructional staff services	706,069	597,916	578,921	455,264	326,908
Administration services	1,316,769	1,232,323	1,100,090	1,011,689	972,797
Operation and maintenance of plant services	1,217,498	1,198,317	1,193,207	1,056,285	976,804
Transportation services	531,663	521,875	512,138	431,331	361,088
Central support services	0	0	0	4,745	2,663
Non-instructional programs	12,398	10,133	8,681	20,778	17,284
Other expenditures:					
Facilities acquisitions	108,805	379,086	612,430	194,372	133,377
Long-term debt:					
Principal	595,000	565,000	545,000	525,000	510,000
Interest and other charges	155,116	178,422	200,904	222,560	243,597
AEA flow-through	476,641	456,669	410,189	406,718	415,603
Total	<u>\$ 15,461,127</u>	<u>14,289,591</u>	<u>13,712,627</u>	<u>12,261,965</u>	<u>11,556,905</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 08	\$ 48,659
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 08	267,399 *
			<u>316,058</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0387-G	207,180
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0387-GC	11,201
			<u>218,381</u>
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 08	<u>5,518</u>
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	FY 08	<u>2,739</u>
ENGLISH LANGUAGE ACQUISITION STATE GRANTS(TITLE III)	84.365	FY 08	<u>2,005</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 08	<u>60,746</u>
GRANTS FOR STATE ASSESSMENT AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 08	<u>10,647</u>
IOWA WESTERN COMMUNITY COLLEGE			
IOWA DEPARTMENT OF EDUCATION:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 08	<u>13,600</u>
AREA EDUCATION AGENCY:			
IOWA DEPARTMENT OF EDUCATION:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 08	<u>78,600</u>

ATLANTIC COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
CONTINUED:			
INDIRECT:			
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF EDUCATION:			
COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	93.938	FY 08	525
TOTAL			\$ 708,819

* includes \$33,895 in non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Atlantic Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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(a professional corporation)
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Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
Atlantic Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Atlantic Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 16, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Atlantic Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Atlantic Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Atlantic Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Atlantic Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Atlantic Community School District's financial statements that is more than inconsequential will not be prevented or detected by Atlantic Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Atlantic Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Atlantic Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Atlantic Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Atlantic Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Atlantic Community School District and other parties to whom Atlantic Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Atlantic Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 16, 2009

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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Atlantic Community School District:

Compliance

We have audited the compliance of Atlantic Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Atlantic Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Atlantic Community School District's management. Our responsibility is to express an opinion on Atlantic Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Atlantic Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Atlantic Community School District's compliance with those requirements.

In our opinion, Atlantic Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Atlantic Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Atlantic Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Atlantic Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Atlantic Community School District and other parties to whom Atlantic Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

March 16, 2009

ATLANTIC COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Atlantic Community School District did qualify as a low-risk auditee.

ATLANTIC COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-08 Sponsor Procedures - We noted during our audit that sponsors are not turning in collected receipts to the administration office for deposit in a timely manner. In addition, when the sponsors turn deposits into the office, no supporting documentation of the receipts accompanies the collected receipts to the administration office. The breakdown of control procedures for the receipting process becomes apparent as the sponsor maintains the collected revenue. The holding of the undeposited funds by the sponsors provides a risk of loss due to possible theft, improper use or loss, as well as lack of reporting of the funds. The District is required to maintain records for the student activity fund.

Recommendation - The possible impropriety of revenues and expenditures is undeterminable without records to document the transactions of posting of receipts and expenditures. The district should take necessary steps to require all individuals to turn in collected money.

Response - The District has reviewed procedures and sponsors will be turning in documentation of collected receipts so deposits can be made in a timely manner.

Conclusion - Response accepted.

II-B-08 Receipting/Depositing Process - We noted during our audit of the receipting process at the high school that deposits sent to Central Office were difficult to reconcile back to receipts because deposit slips do not contain a detail listing of the checks and cash included in the deposit. The process of collection of money and issuance of the receipt, subsequently depositing the money and recording the receipt into the District accounting software appears to have weaknesses which do not allow for tracing of specific receipts.

Recommendation - The District should require individuals who are preparing the deposit slips to complete the listing of checks and insert the amount of currency included in the deposit. The District may also consider identifying which receipts are included in that specific deposit, noting in an area of the deposit slip the receipts numbers included on that deposit. The identification of the receipts to the deposit slip, aids in identifying reconciling items when reconciling bank statements each month, as well as serving as a control to help ensure all receipts are deposited and accounted for.

Response - The District will review deposit/money handling procedures and implement necessary changes.

Conclusion - Response accepted.

II-C-08 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however the Central Office does not keep a copy of Activity Fund purchase orders along with the invoice. We also noted at the high school that purchase orders were not always being approved by an administrator before the purchase of supplies.

Recommendation -The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The District has reviewed purchase order procedures with staff to ensure proper use of the purchase order system.

Conclusion - Response accepted.

II-D-08 Gate Admissions - Although the District utilizes pre-numbered tickets for all event admissions, it appeared that ticket takers responsible for cash collections at the gate were not reconciling pre-numbered tickets to cash collected and not signing off on the reconciliation before giving custody of the change box to the Athletic Director. We noted instances of the Athletic Director's secretary being the only person signing off on gate reconciliations.

Recommendation - The exchange in custody of the change box from the ticket takers to the Athletic Director with no reconciliation procedures being performed by the ticket takers constitutes a breakdown in control procedures. The District should review internal control procedures established for handling cash for all activity events and communicate the procedures to the individuals involved.

At the end of the event, cash should be counted and reconciled by two or more individuals (usually the ticket takers) to pre-numbered tickets sold including the amount of the beginning cash. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash. The cash and change box should then be turned into the Athletic Director or designee responsible for the accounting function at the event.

Response - The District has reviewed reconciliation procedures and has requested that ticket takers count and reconcile gates before turning collections to an administrator after the event. The Athletic Director's secretary will count and reconcile again the next day before depositing.

Conclusion - Response accepted.

II-E-08 Board Policies - We noted during our audit that the District's board policy book had not been updated or reviewed during the previous five years.

Recommendation - The District needs to review board policies every five years.

Response - The District has established a schedule for review of all board policies.

Conclusion - Response accepted.

II-F-08 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Per Chapter 9 of the LEA Financial Accounting Manual, "The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8)." Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

The Student Council and FFA accounts award scholarships from proceeds from fundraising during the year. When fundraising takes place the revenues should be recorded in the fund that may legally pay for the purpose of the fundraiser. Scholarships are most appropriately paid from the Private Purpose Trust Fund; therefore, proceeds from scholarship fundraising should be placed and expended from the Private Purpose Trust Fund.

When the District writes checks for scholarship awards, the check is sometimes written to the student only. A better practice would be for the District to write the check to the individual and the college/university the student is attending once the student has supplied proof of attendance to the District.

The District writes various checks throughout the year for change boxes for start up cash at the gate for District events. It was noted that checks were being written to the name of the bank only instead of the custodian/sponsor for these events. Checks made out to the name of the bank only are bearer paper and in the event the check would be lost or stolen anyone could cash the check. In the future, the District should write the check to the custodian/sponsor of the event.

The District should review the properness of receipts and expenditures that are recorded in the Student Activity Fund. The District should also review procedures that are in place in regards to the Activity Fund and follow the suggested recommendations to gain compliance and better internal controls.

Response - The District will review procedures concerning the items mentioned above and will implement changes to comply.

Conclusion - Response accepted.

II-G-08 Employee Contracts - We noted during our audit that a teacher contract was underpaid \$600 according to the stated contract amount.

Recommendation - The District should review procedures in place when paying contracted amounts. The District should pay the employee the \$600 according to the contract.

Response - This error was the result of software conversion and was overlooked during review. The contract in question has been corrected.

Conclusion - Response accepted.

ATLANTIC COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No matters were noted.

ATLANTIC COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-08 Certified Budget - During the year ended June 30, 2008, expenditures in the instructional function exceeded the amount budgeted.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The District will monitor budgeted expenditures more closely in the future and will amend the budget when necessary.

Conclusion - Response accepted.

IV-B-08 Questionable Disbursements - We noted during our audit that from the Activity Fund the District gave Chamber Bucks to students as prom prizes and wrote checks to individual students as a sales incentive prize for top seller for the fruit fundraiser. Chamber Bucks and sales incentive prizes do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District has reviewed appropriate expenditures from the Activity Fund with the personnel that were involved with this matter. The practice will be discontinued.

Conclusion - Response accepted.

IV-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

During the audit we noted that employees were using District credit cards for business related travel expenses but not always turning in detailed receipts of the charges made to the credit card.

Recommendation - District Board Policy 401.10 states that employees and officers using District credit cards must submit a detailed receipt in addition to the credit card receipt showing the date, purpose and nature of the expense for each claim item. Failure to turn in detailed receipts to the District makes the expense the employee's expense and not the District's. The District should review Board Policy 401.10 and communicate to employees the ramifications to them if the policy is not followed.

Response - The District will review procedures in place for use of District credit cards and will implement changes as necessary. A greater effort will be placed on enforcement of Board Policy 401.10.

Conclusion - Response accepted.

IV-D-08 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Barb Olson, Teacher Spouse owns Olson Fuel Supply, Inc.	Fuel (per bid)	\$95,437
Kathy Henningsen, Teacher Spouse owns Henningsen Construction	Purchased Services	\$1,450

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the teachers' spouses do not appear to represent a conflict of interest.

IV-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-J-08 Financial Condition - The District had a negative individual account balance within the Special Revenue Student Activity Fund.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - The District will discuss the negative balance with the sponsor responsible for the account and develop a plan to resolve the deficit.

Conclusion - Response accepted.